

City of Mesa

Development (Impact) Fees

Response to Senate Bill 1525

Audit, Finance and Enterprise Committee
May 20, 2013

Presented by the Office of Management and Budget



Senate Bill 1525 – Eligible Projects

- Changed the facilities eligible for development fees. As of January 2012 , the following are no longer eligible.
 - General Government and Cultural projects
 - Libraries greater than 10,000 square feet
 - Parks greater than 30 acres (unless they provide a direct benefit to the development)
 - Public Safety training facilities
- Mesa discontinued the collection of General Government and Cultural Development Fees on January 2, 2012
- Mesa continued the collection of the remaining fees at the adopted rates. Fees are used to retire debt service of growth-related projects already completed. The new eligibility requirements do not pertain to completed projects.

Senate Bill 1525 – Going Forward

- The statute provides two processes for cities that wish to continue the collection of development fees in the future
- **New Fees:** Create new development fees based on the new requirements
- **Continue Existing Fees:** Continue to assess current development fees and use them solely for principal and interest payments on existing eligible debt

Adopt New Development Fees

- Cities are required to conduct new development fee studies and implement new fees by August 2014
- Cities may either create a development fee committee to review and approve development fees or contract for a biennial audit of the development fee reports
- Fees are still based on the existing level of service
- Fees must be spent on projects identified in the Infrastructure Improvement Plan (IIP) and must be reimbursed if not spent within 10 years (15 years for Water and Wastewater)
- Service Areas would need to be delineated. Development fees would vary based on the service area experiencing the development
- Fees are required to be reviewed every five years

Continue Current Development Fees

- Fees must have been adopted prior to January 1, 2012
- Fees must be used solely to pay off pledged debt on growth related projects
- Eligible projects must:
 - Have been included in a prior Infrastructure Improvement Plan (IIP)
 - Have been financed before June 1, 2011
 - Have not been included in the existing level of service used to create the current development fees

*ARS § 9-463.05 (R)

Process of Evaluating Alternatives

- Staff looked at each alternative to determine which would best meet the needs and obligations of the City
- If the City decided to adopt new development fees according to SB 1525, development fees could only be spent on future projects.
 - This would require the General Fund to pay for the \$1M of general obligation debt service and the Enterprise Fund to pay for the \$2.2M of utility revenue debt service currently being paid for by development fees.
- Additional administrative costs would fall on the City in order to keep track of the collection and possible reimbursement of development fees in each of the identified service areas.

Role of the Departments

- Each City department was critical in the analysis of the different options allowed by SB 1525.
- Departments spent significant time :
 - Identifying service areas for each of the impact fee categories
 - Identifying whether future projects were necessary to accommodate new growth or to replace existing infrastructure
 - Going through all projects financed since 2007 to determine if and to what extent projects were growth related

City Staff - Recommendation

- City staff recommends that the City continue to assess the current development fees and use the revenue to pay existing debt on development-fee eligible projects
 - Current fees were adopted in 2007
 - The City's Capital Improvement Program (CIP) served as the required Infrastructure Improvement Plan (IIP)
 - All identified projects were included in a CIP and were financed prior to June 1, 2011
 - The full project list and calculation of remaining eligible pledged debt has been reviewed by an outside consultant. The "Pledged Debt Analysis" document is available for viewing at mesaaz.gov/budget.

Development Fees – Direction Requested

- Staff recommends that the development fees adopted in 2007 will continue (excluding the General Government and Cultural fees)
- Reviewing fees every five years and conducting a biennial audit are only requirements for the adoption of new fees. They are not required for the continuation of existing fees. However, staff recommends conducting a biennial audit regarding the use of development fee revenues and plans to review the development fees in their entirety in five years.
- Staff expects that the revenues needed to pay the remaining Library eligible pledged debt will be received before the five year time period is complete. Once the required revenues are received, the library development fee will no longer be collected.

